

RELATED PARTY TRANSACTION POLICY

Revision Date: 8th November, 2019

Approved by: Audit Committee of the Board of Directors

- I. Sobha Limited (hereinafter referred to as “**Sobha**”) has adopted this Related Party Transaction Policy and Procedures (“**Policy & Procedures**”) with regard to Related Party Transaction(s) and its compliance under the Companies Act, 2013, the rules made thereunder, relevant Accounting Standards and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR/Listing Agreement), wherever applicable.
- II. This Policy and Procedures apply to all the business operations, directors, Key Managerial Personnel officers, employees and representatives.
- III. Sobha is committed to the adherence and compliance of this Policy & Procedures.
- IV. An “arm’s length transaction” (“**arm’s length**”) means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest. “**Related Party**”, with reference to a Company means as per definition under Companies Act, 2013, Rules made thereunder and LODR/Listing Agreement, wherever applicable.
- V. Sobha is committed to uphold the arm’s length principle while entering into Related Party Transaction(s) (“**RPT**”). RPT means any transaction entered into with a Related Party as defined under the Companies Act, 2013, Rules made thereunder, Accounting Standard(s) issued by ICAI and LODR/Listing Agreement, as amended from time to time, wherever applicable.
- VI. Every employee, officers, directors and representatives; who plans to have the transaction(s) in the nature of RPT shall have the duty and responsibility to report the same to Chief Financial Officer /Company Secretary of the Company and shall not carry out the RPT unless it is in accordance with this Policy & Procedures.

VII. Any RPT not disclosed or reported and/or not taken prior approval as per this Policy & Procedures be immediately reported to Chief Financial Officer and Company Secretary for necessary compliance.

PROCEDURES

I. Basis for undertaking Related Party Transactions:

The Company shall strive to ensure that related party transactions are in the ordinary course of business and on arms' length basis. The Company shall strive to determine the best possible price and ensure that the commercial terms of the transactions are beneficial to the Company and are not prejudicial to its interests. The management shall present to the Board or Audit Committee as the case may be, the basis and rationale for undertaking the RPT.

II. Transactions to be classified as RPT are:

- i. Purchase and sale of Goods, including import and export
- ii. Provision/ supply of Services
- ii. Procurement/ receipt of services
- iv. Purchase and/or sale of movable and immovable assets
- vi. Right to use of Intellectual Property
- vii. Any other category of RPT that comes up in the ordinary course of business or otherwise; under the Companies Act, 2013, Rules made thereunder and LODR/Listing Agreement, wherever applicable.

II. Methodology of price determination

a. The method and manner of determination of arm's length consideration/ price for RPT shall be based on the broad principles that are usually kept in mind while deciding consideration/ price with an unrelated party. Depending upon the nature and circumstances of transaction any of the following methods shall be followed:

- i. Comparable uncontrolled price
- ii. Cost plus method

- iii. Transactional net margin method
 - iv. Cost sharing/ allocation
 - vi. Reduction of loss method
 - vii. Resale price method
 - viii. Any other appropriate method
- b. To avoid any confusion in understanding the above methods, reliance shall be placed on the provisions of Income Tax Act, 1961 and the Rules made there under, to the extent applicable.

III. Material Related Party Transactions:

- i. Transactions with a related party shall be considered material if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.
- ii. transaction involving payment to a related party with respect to brand usage or royalty entered into individually or taken together with previous transactions during a financial year which exceeds 2% of the annual consolidated turnover of the Company as per the last audited consolidated financial statements of the Company.

IV. Responsibility & Accountability:

i. Chief Financial Officer:

a. The Chief Financial Officer along with the Company Secretary shall be responsible for compliance with the Policy and Procedures.

b. Chief Financial Officer shall create a mechanism whereby all RPTs are brought to his/her knowledge including all relevant details and rationale of the transaction, including; nature of transaction, annual volume and value of transactions, single or repetitive transaction, method of price determination.

c. Chief Financial Officer shall ensure that such mechanism includes equal participation from Company Secretary, Commercial operations, HR, and any other necessary stakeholders. All above stakeholders' participation is mandatory.

d. Chief Financial Officer/Company Secretary shall, upon receiving the RPT from the respective team, place before the Audit Committee and/or Board and/or Shareholders of the Company, as the case may be, for necessary approval.

e. The Management/Company shall take prior approval of the proposed RPT including draft terms and conditions of the RPT in quarterly Audit Committee and/or Board and/or Shareholders meeting, as the case may be, and shall also place details of RPT carried out during the previous quarter in quarterly Audit Committee and/or Board.

ii. Company Secretary

a. Company Secretary shall be responsible to monitor the compliance of the provisions of the Companies Act, 2013 (“**Act of 2013**”), Rules and LODR/Listing Agreement.

b. Maintain a register of all RPT Agreement(s) both in physical and electronic form.

IV. Timeline for Administration of this Policy & Procedures

Every RPT shall have prior approval from Audit Committee and/or Board and/or Shareholders, as the case may be. The Audit Committee and/or Board meet every quarter under the Law. Thus, it would be imperative to plan all RPTs well in advance so that in all said quarterly meetings, they are taken up for prior approval. Hence, following timelines shall be adhered to:

a. As stated elsewhere, all concerned persons who conceive or plan to carry out an RPT shall keep the above time frame in mind and shall inform Chief Financial Officer/Company Secretary with all the required details atleast by the end of last month of each quarter so that it can be considered for approval in the next meeting held after the end of the quarter. For instance, RPT require approval in the Audit and/or Board meeting dated November second

week, the details should be provided to Chief Financial Officer by 30th September. The transaction details shall be in specified format.

b. Chief Financial Officer shall forward the aforesaid details and any other relevant information to Company Secretary.

d. Company Secretary shall present the transaction before the Audit Committee and/or Board Meeting.

e. For transactions of a recurring and continuing nature, the Chief Financial Officer may seek an omnibus approval from the Audit Committee. The Chief Financial Officer shall submit the list of transactions proposed to be undertaken during a financial year together such information as the Audit Committee may require for the purpose of granting approval. The Audit Committee, shall review such related party transactions on a quarterly basis.

f. Company Secretary shall communicate the decision of the Audit Committee/Board/ Shareholders as the case may be to the stakeholders.

A related party shall abstain from voting on such resolutions.

END OF DOCUMENT